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C O N F I D E N T I A L SECTION 01 OF 03 MANAMA 000219

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TAGS: ECON ELAB PGOV PHUM SOCI BA HUMRIT POL

SUBJECT: MINISTER OF LABOR DISCUSSES NATIONAL EMPLOYMENT
PROJECT, LABOR REFORM WITH AMBASSADOR

Classified By: Ambassador William T. Monroe for reasons 1.4 (b) and (d)

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Summary

¶1. (C) Minister of Labor Dr. Abdulmajeed Al Alawi told the Ambassador February 28 that since January 2006, unemployment had dropped in Bahrain from 15% to 3.8% under the National Employment Project (NEP), leaving only approximately 4,000 unemployed remaining in the program. He said the second phase of the NEP would provide training to low-salary Bahraini workers already in jobs, while supplementing their earnings to a minimum of 200 BD (\$530) monthly. Labor reform legislation, which will replace Bahrain's 1976 labor law, has gone to the Cabinet for approval before being forwarded to parliament. Al Alawi said that the Labor Market Regulatory Authority (LMRA) would begin managing the expatriate labor force in the fall, generating revenue from increased fees on individual workers. In a separate meeting with the Ambassador March 1, Minister of State for Foreign Affairs, and recently appointed Labor Fund director, Nizar Al Baharna said that under the new labor reform program, the Labor Fund will provide training for workers as well as offer consultancy services to companies to assist in improving their operational systems. End summary.

National Employment Project Success, Challenges

¶2. (C) Minister of Labor Dr. Abdulmajeed Al Alawi told the Ambassador in a meeting February 28 that unemployment in Bahrain had dropped from approximately 15% to 3.8% since January 2006 as a result of the NEP. Of the nearly 18,600 who have registered with the program over its 14-month existence, most are either currently employed or have voluntarily withdrawn from the program. According to Al Alawi, there are approximately 4,000 unemployed remaining, 96% of whom are women. He said that the NEP has a job bank listing approximately 9,000 positions offered by employers to be filled with trained graduates of the program. Al Alawi expressed satisfaction with how the project has proceeded, saying "the problem is small and can be controlled." Only ten percent of the budgeted 30 million dinars (\$80 million) has been spent thus far and the program is entering a second phase. (Comment: The GOB does not publish official unemployment statistics, and we have no way of confirming Al Alawi's information.)

¶3. (C) In an attempt to raise the skills and wages of

Bahraini workers already in jobs, the NEP's second phase is offering training for Bahraini workers and a temporary salary supplement in exchange for employer assurances that they will raise the wages of these workers. Al Alawi said that there are approximately 30,000 Bahraini workers whose wages are under BD 200 (\$530) monthly. The NEP will train workers with the intent of boosting productivity and subsidizing their salaries for six months so that their take-home pay will be BD 200 monthly. At the end of the six month period, the NEP asks employers to maintain their workers' salaries at BD 200. Al Alawi said that 250 companies have so far agreed to the program. To both recognize their commitment and to encourage others to participate, the government placed half-page ads in the Arabic daily newspapers listing the names of the companies.

¶4. (C) Al Alawi said that the NEP had experienced challenges in dealing with entrenched attitudes of both employers and the unemployed. A program goal is to build trust in Bahraini workers, who have a negative reputation in the marketplace. Similarly the program works to convince Bahraini workers to take private sector jobs and not expect to find a government job. Some unemployed people registered with the program had refused private sector offers, saying they would only accept government jobs, and thus left the program.

Labor Reform

¶5. (C) When asked about press reports concerning labor reform legislation, Al Alawi said that since the current Labor Law had been passed in 1976 and was based on 1950's Egyptian labor legislation, there was a need for new legislation. A major challenge for companies today is

MANAMA 00000219 002 OF 003

adjusting to the activities of unions and working with them to address issues. The legislation had been sent to the Economic Development Board and the International Labor Organization for comment, and it is currently with the Cabinet for approval before it is sent to parliament.

¶6. (C) Mentioning that the LMRA and the Labor Fund had been established under earlier legislation, Al Alawi said that the LMRA had a target of October 1 to take over management of the expatriate labor force and introduce new fees on expatriate workers. He recognized the need for the sponsorship system to be reformed and for expatriate laborers to have more freedom, but said this would be phased in over time. Al Alawi noted that the inspection regime has been strengthened, including legal authority given to inspectors to close companies and impose fines on violators.

¶7. (C) Al Alawi explained that current monthly fees for expatriate workers were BD 6.5 (\$17) per worker, but that rates would go up to approximately BD 20 (\$53). The extra income generated would be split, 80% to the Labor Fund to pay for continuing training for Bahraini workers and 20% to the Ministry of Labor. These figures have been approved by the Labor Fund and a white paper has been sent to the Bahrain Chamber of Commerce and labor unions for discussion. Early feedback from employers has been negative. When asked if household workers were included in this new plan, Al Alawi said that they were not included, contrary to his will and counsel. "This creates a labor back door that companies will exploit to bring in extra workers."

Looking for Model Programs Abroad

¶8. (C) Al Alawi told the Ambassador that he was part of a government commission responsible for education reform that had been set up by Deputy Prime Minister Shaikh Mohammed Bin Mubarak Al Khalifa. The group had formed small delegations

to visit several countries to learn more about what they were doing in educational reform. He said that he had recently visited Australia and New Zealand to look into technical education programs, as the GOB has seen the need to expand its polytechnical course offerings. Al Alawi mentioned that in Australia he also looked into the unemployment insurance program. Bahrain has started registration for its own unemployment insurance and has linked it to the NEP program.

Labor Fund Objectives

¶9. (C) In a separate meeting March 1, the Ambassador asked Minister of State for Foreign Affairs Nizar Al Baharna about his January appointment as director of the Labor Fund. Al Baharna said the biggest challenge was gaining the confidence of the private sector that they should support, and would benefit from, the Fund. The Fund has begun receiving the current annual fees for expatriate work permits, which are BD 150/worker (\$400) and will total about BD 20 million (\$53 million) for the year. The fee structure has not yet been revised under the new labor reform program, but Al Baharna said the annual fee for expatriate workers would probably jump to BD 300/worker (\$800) and raise BD 40 million (\$106 million) annually. (Note: Noting that Al Baharna's estimate of the fees is different from Al Alawi's, it is clear that many details about the fee system have yet to be determined.)

¶10. (C) The Labor Fund, Al Baharna said, needs to show companies that they will benefit from money they pay into the system. The Fund will provide training for Bahraini workers. Additionally, the Fund intends to offer consultancy services for qualifying companies to assist in improving their systems, such as warehousing, accounting, and other internal operations. Ten local companies that participated in a pilot project for the consultancy services were happy with the results, Al Baharna said. In this initial test run, the Fund paid 80% of the costs while the companies paid 20%. In a second phase, to involve 200 companies, costs will be split 70/30.

¶11. (C) Al Baharna said that another feature of the Fund's activities will be to partner large companies with medium companies, and medium companies with small companies, to create links and transfer expertise. Because of the structure of Bahrain's private sector, which is dominated by vertically integrated, insular, family-owned companies, there

MANAMA 00000219 003 OF 003

is very little interaction between the various tiers of companies, Al Baharna said. Likewise, there is little competition between them, so larger companies should not feel constrained in assisting smaller ones. Al Baharna thought this aspect of the Fund's activities could be a win-win for all involved.

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